



**SCOTLAND COUNTY, MISSOURI  
TWO YEARS ENDED DECEMBER 31, 2000**

**From The Office Of State Auditor  
Claire McCaskill**

**Report No. 2001-51  
July 2, 2001  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)**

**AUDIT REPORT**



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

June 2001

[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

**IMPORTANT:** The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Scotland, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also perform a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

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This audit of Scotland County included additional areas of county operations, as well as the elected county officials. The following concerns were noted as part of the audit:

- The Prosecuting Attorney does not have an office in the courthouse; instead she performs her county duties from an office building used in the operation of her private law practice. The county does not have a written agreement with the Prosecuting Attorney and pays her \$340 per month as an allowance for the office expenses which include utilities, telephone, library/upkeep, supplies, and postage. The Prosecuting Attorney has not documented the actual costs of the office or the percentage of the office costs that relate to official duties. These unsupported expense reimbursements were not reported on her W-2 forms.

During December 2000, the Prosecuting Attorney mistakenly submitted two invoices for utilities and telephone expenses, totaling approximately \$480, to be paid from the Prosecuting Attorney Bad Check Fund. The invoices included the utilities and telephone expense for the entire building, which the Prosecuting Attorney also uses for her private practice and as a place of residence.

- Time sheets were inaccurate and were not always prepared or maintained. Leave records were not monitored against county policies and the issue of overtime/compensatory time was not adequately addressed in the county's personnel policy.

(over)

YELLOW SHEET

- A state law, Section 50.333.13, RSMo, enacted in 1997, allowed salary commissions meeting in 1997 to provide mid-term salary increases for associate county commissioners elected in 1996 due to the fact that their terms were increased from two years to four. Based on this law, in 1999 Scotland County's Associate County Commissioners salaries were each increased approximately \$1,900 yearly, according to information from the County Clerk.

On May 15, 2001, the Missouri Supreme Court handed down an opinion that holds that all raises given pursuant to this statute section are unconstitutional. Based on the Supreme Court decision, the raises given to each of the Associate County Commissioners, totaling approximately \$3,800 for the two years ended December 31, 2000, should be repaid. Any raises given to other officials within their term of office should also be re-evaluated for propriety.

Also included in the audit are recommendations to improve the accounting controls and procedures for the Prosecuting Attorney and Sheriff. The audit also suggested improvements be made in the county's bidding procedures, restricted funds accounting, property tax system and computer controls, fixed assets and preparation of county commission minutes. Several of these issues had been noted in prior audits.

**Copies of the audit are available upon request.**

SCOTLAND COUNTY, MISSOURI

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FINANCIAL SECTION

State Auditor's Reports



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL  
STATEMENTS AND SUPPLEMENTARY SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS

To the County Commission  
and  
Officeholders of Scotland County, Missouri

We have audited the accompanying special-purpose financial statements of various funds of Scotland County, Missouri, as of and for the years ended December 31, 2000 and 1999, as identified in the table of contents. These special-purpose financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared for the purpose of presenting the receipts, disbursements, and changes in cash of various funds of Scotland County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county and are not intended to be a complete presentation of the financial position and results of operations of those funds or of Scotland County.

In our opinion, the special-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Scotland County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 2000 and 1999, in conformity with the comprehensive basis of accounting discussed in Note 1, which

is a basis of accounting other than accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we also have issued our report dated March 29, 2001, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the special-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the special-purpose financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Scotland County, Missouri, and was not subjected to the auditing procedures applied in the audit of the special purpose financial statements referred to above.



Claire McCaskill  
State Auditor

March 29, 2001

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Douglas J. Porting, CPA
In-Charge Auditor:	Todd Stoll
Audit Staff:	Susan M. Cessac
	Liang Xu
	Steve Garner



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission  
and  
Officeholders of Scotland County, Missouri

We have audited the special-purpose financial statements of various funds of Scotland County, Missouri, as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated March 29, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the special-purpose financial statements of various funds of Scotland County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as finding number 00-1. We also noted certain immaterial instances of noncompliance which are described in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements of various funds of Scotland County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not

necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting which are described in the accompanying Management Advisory Report.

This report is intended for the information of the management of Scotland County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Claire McCaskill". The signature is written in a cursive, flowing style.

Claire McCaskill  
State Auditor

March 29, 2001(fieldwork completion date)

## Financial Statements

Exhibit A-1

SCOTLAND COUNTY, MISSOURI  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS  
 YEAR ENDED DECEMBER 31, 2000

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 250,095	710,645	707,491	253,249
Special Road and Bridge	380,218	955,338	1,169,041	166,515
Assessment	255	62,579	62,616	218
Law Enforcement Training	1,061	1,195	1,447	809
Prosecuting Attorney Training	180	168	184	164
Off System	43,392	18,159	15,406	46,145
Community Development Block Grant	1,000	300,938	300,938	1,000
Recorder's User Fees	4,060	2,068	27	6,101
Circuit Clerk Interest	2,060	366	0	2,426
Law Library	6,139	1,741	2,044	5,836
Local Emergency Planning Commission- Federal Emergency Management Agency	5,274	3,921	5,266	3,929
Health Center	144,650	288,358	285,946	147,062
Election Services	77	675	0	752
Prosecuting Attorney Bad Check	619	4,517	4,525	611
Children's Trust	150	230	230	150
Local Records	0	5,626	0	5,626
Associate Circuit Division Interest	276	371	0	647
Cemetery Trusts	4,033	4,238	4,075	4,196
D.A.R.E.	305	0	305	0
Total	\$ 843,844	2,361,133	2,559,541	645,436

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

SCOTLAND COUNTY, MISSOURI  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS  
 YEAR ENDED DECEMBER 31, 1999

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 226,794	650,077	626,776	250,095
Special Road and Bridge	255,253	931,594	806,629	380,218
Assessment	2,665	66,856	69,266	255
Law Enforcement Training	1,749	1,480	2,168	1,061
Prosecuting Attorney Training	1,138	232	1,190	180
Off System	40,646	44,932	42,186	43,392
Community Development Block Grant	1,000	121,203	121,203	1,000
Recorder's User Fees	2,000	2,194	134	4,060
Circuit Clerk Interest	2,046	513	499	2,060
Law Library	5,716	1,546	1,123	6,139
Local Emergency Planning Commission- Federal Emergency Management Agency	2,299	2,975	0	5,274
Health Center	134,344	312,048	301,742	144,650
Election Services	0	77	0	77
Prosecuting Attorney Bad Check	0	5,656	5,037	619
Children's Trust	100	255	205	150
Joint Dispatcher	3,072	15,000	18,072	0
Associate Circuit Division Interest	964	196	884	276
Cemetery Trusts	2,607	4,015	2,589	4,033
D.A.R.E.	1,034	0	729	305
Cash Crop	4	0	4	0
Total	\$ 683,431	2,160,849	2,000,436	843,844

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

SCOTLAND COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b>TOTALS - VARIOUS FUNDS</b>						
RECEIPTS	\$ 2,431,678	2,350,668	(81,010)	2,174,224	2,150,905	(23,319)
DISBURSEMENTS	2,834,770	2,554,931	279,839	2,380,292	1,991,193	389,099
RECEIPTS OVER (UNDER) DISBURSEMENTS	(403,092)	(204,263)	198,829	(206,068)	159,712	365,780
CASH, JANUARY 1	694,430	839,080	144,650	544,478	678,822	134,344
CASH, DECEMBER 31	291,338	634,817	343,479	338,410	838,534	500,124
<b>GENERAL REVENUE FUND</b>						
RECEIPTS						
Property taxes	200,168	202,673	2,505	222,908	201,563	(21,345)
Sales taxes	243,000	241,844	(1,156)	200,000	219,975	19,975
Intergovernmental	111,300	129,721	18,421	84,800	93,993	9,193
Charges for services	75,400	77,618	2,218	72,490	77,321	4,831
Interest	21,000	23,068	2,068	19,000	22,423	3,423
Other	23,790	35,721	11,931	14,731	26,942	12,211
Transfers in	0	0	0	0	7,860	7,860
Total Receipts	674,658	710,645	35,987	613,929	650,077	36,148
DISBURSEMENTS						
County Commission	48,232	50,774	(2,542)	42,773	44,228	(1,455)
County Clerk	45,064	42,956	2,108	43,181	44,492	(1,311)
Elections	15,000	9,636	5,364	0	1,654	(1,654)
Buildings and grounds	78,530	99,444	(20,914)	68,200	65,888	2,312
Employee fringe benefits	36,000	34,674	1,326	57,080	32,295	24,785
Treasurer	16,502	16,598	(96)	15,256	15,978	(722)
Collector	49,359	47,669	1,690	45,142	48,819	(3,677)
Recorder of Deeds	13,650	8,868	4,782	13,658	10,434	3,224
Associate Circuit Court	3,750	5,241	(1,491)	7,783	6,697	1,086
Court administration	4,041	2,843	1,198	4,016	2,851	1,165
Public Administrator	5,104	6,333	(1,229)	4,600	4,982	(382)
Sheriff	205,965	217,063	(11,098)	201,808	200,063	1,745
Prosecuting Attorney	47,128	49,224	(2,096)	45,232	47,938	(2,706)
Juvenile Officer	73,392	33,826	39,566	49,110	54,626	(5,516)
Coroner	5,570	2,109	3,461	5,499	2,361	3,138
Other general county government	44,590	45,157	(567)	40,950	36,732	4,218
Public health and welfare services	2,937	29,576	(26,639)	2,981	1,738	1,243
Transfers out	7,350	5,500	1,850	7,000	5,000	2,000
Emergency Fund	20,240	0	20,240	10,000	0	10,000
Total Disbursements	722,404	707,491	14,913	664,269	626,776	37,493
RECEIPTS OVER (UNDER) DISBURSEMENTS	(47,746)	3,154	50,900	(50,340)	23,301	73,641
CASH, JANUARY 1	250,095	250,095	0	226,794	226,794	0
CASH, DECEMBER 31	202,349	253,249	50,900	176,454	250,095	73,641

Exhibit B

SCOTLAND COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b><u>SPECIAL ROAD AND BRIDGE FUND</u></b>						
<b>RECEIPTS</b>						
Property taxes	269,000	269,004	4	295,991	267,286	(28,705)
Sales taxes	160,000	160,908	908	137,000	146,607	9,607
Intergovernmental	450,000	474,682	24,682	446,000	452,631	6,631
Interest	27,000	26,402	(598)	25,000	28,675	3,675
Other	22,000	24,342	2,342	49,000	34,085	(14,915)
Transfers in	0	0	0	0	2,310	2,310
<b>Total Receipts</b>	<b>928,000</b>	<b>955,338</b>	<b>27,338</b>	<b>952,991</b>	<b>931,594</b>	<b>(21,397)</b>
<b>DISBURSEMENTS</b>						
Salaries	255,000	260,782	(5,782)	229,600	247,111	(17,511)
Employee fringe benefits	46,000	37,509	8,491	65,900	37,980	27,920
Supplies	89,000	102,234	(13,234)	85,000	73,588	11,412
Insurance	20,000	12,892	7,108	18,000	16,860	1,140
Road and bridge materials	420,500	520,923	(100,423)	275,500	195,709	79,791
Equipment repairs	70,000	71,467	(1,467)	70,000	52,600	17,400
Rentals	10,000	2,415	7,585	10,000	1,038	8,962
Equipment purchases	150,000	99,025	50,975	150,000	56,910	93,090
Construction, repair, and maintenance	215,000	61,494	153,506	180,000	122,332	57,668
Other	1,000	300	700	1,000	847	153
Transfers out	0	0	0	0	1,654	(1,654)
<b>Total Disbursements</b>	<b>1,276,500</b>	<b>1,169,041</b>	<b>107,459</b>	<b>1,085,000</b>	<b>806,629</b>	<b>278,371</b>
<b>RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	<b>(348,500)</b>	<b>(213,703)</b>	<b>134,797</b>	<b>(132,009)</b>	<b>124,965</b>	<b>256,974</b>
<b>CASH, JANUARY 1</b>	<b>380,218</b>	<b>380,218</b>	<b>0</b>	<b>255,253</b>	<b>255,253</b>	<b>0</b>
<b>CASH, DECEMBER 31</b>	<b>31,718</b>	<b>166,515</b>	<b>134,797</b>	<b>123,244</b>	<b>380,218</b>	<b>256,974</b>
<b><u>ASSESSMENT FUND</u></b>						
<b>RECEIPTS</b>						
Intergovernmental	62,200	56,068	(6,132)	61,300	60,552	(748)
Interest	650	662	12	850	711	(139)
Other	320	349	29	330	593	263
Transfers in	7,350	5,500	(1,850)	7,000	5,000	(2,000)
<b>Total Receipts</b>	<b>70,520</b>	<b>62,579</b>	<b>(7,941)</b>	<b>69,480</b>	<b>66,856</b>	<b>(2,624)</b>
<b>DISBURSEMENTS</b>						
Assessor	70,732	62,616	8,116	69,430	68,266	1,164
Transfers out	0	0	0	0	1,000	(1,000)
<b>Total Disbursements</b>	<b>70,732</b>	<b>62,616</b>	<b>8,116</b>	<b>69,430</b>	<b>69,266</b>	<b>164</b>
<b>RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	<b>(212)</b>	<b>(37)</b>	<b>175</b>	<b>50</b>	<b>(2,410)</b>	<b>(2,460)</b>
<b>CASH, JANUARY 1</b>	<b>255</b>	<b>255</b>	<b>0</b>	<b>2,665</b>	<b>2,665</b>	<b>0</b>
<b>CASH, DECEMBER 31</b>	<b>43</b>	<b>218</b>	<b>175</b>	<b>2,715</b>	<b>255</b>	<b>(2,460)</b>

SCOTLAND COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b><u>LAW ENFORCEMENT TRAINING FUND</u></b>						
<b>RECEIPTS</b>						
Charges for services	1,400	1,195	(205)	1,200	1,480	280
Total Receipts	1,400	1,195	(205)	1,200	1,480	280
<b>DISBURSEMENTS</b>						
Sheriff	2,461	1,447	1,014	2,949	2,168	781
Total Disbursements	2,461	1,447	1,014	2,949	2,168	781
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,061)	(252)	809	(1,749)	(688)	1,061
CASH, JANUARY 1	1,061	1,061	0	1,749	1,749	0
CASH, DECEMBER 31	0	809	809	0	1,061	1,061
<b><u>PROSECUTING ATTORNEY TRAINING FUND</u></b>						
<b>RECEIPTS</b>						
Charges for services	200	168	(32)	200	232	32
Total Receipts	200	168	(32)	200	232	32
<b>DISBURSEMENTS</b>						
Prosecuting Attorney	380	184	196	1,338	1,190	148
Total Disbursements	380	184	196	1,338	1,190	148
RECEIPTS OVER (UNDER) DISBURSEMENTS	(180)	(16)	164	(1,138)	(958)	180
CASH, JANUARY 1	180	180	0	1,138	1,138	0
CASH, DECEMBER 31	0	164	164	0	180	180
<b><u>OFF SYSTEM FUND</u></b>						
<b>RECEIPTS</b>						
Intergovernmental	397,118	15,406	(381,712)	33,636	41,026	7,390
Interest	2,500	2,753	253	1,500	3,906	2,406
Total Receipts	399,618	18,159	(381,459)	35,136	44,932	9,796
<b>DISBURSEMENTS</b>						
Construction	350,000	0	350,000	24,813	24,494	319
Engineering fees	47,118	15,406	31,712	17,232	17,692	(460)
Total Disbursements	397,118	15,406	381,712	42,045	42,186	(141)
RECEIPTS OVER (UNDER) DISBURSEMENTS	2,500	2,753	253	(6,909)	2,746	9,655
CASH, JANUARY 1	43,392	43,392	0	40,646	40,646	0
CASH, DECEMBER 31	45,892	46,145	253	33,737	43,392	9,655
<b><u>COMMUNITY DEVELOPMENT BLOCK GRANT FUND</u></b>						
<b>RECEIPTS</b>						
Intergovernmental	15,526	300,938	285,412	153,067	121,203	(31,864)
Total Receipts	15,526	300,938	285,412	153,067	121,203	(31,864)
<b>DISBURSEMENTS</b>						
County structures	16,526	32,863	(16,337)	154,067	118,893	35,174
Water system	0	268,075	(268,075)	0	0	0
Transfers out	0	0	0	0	2,310	(2,310)
Total Disbursements	16,526	300,938	(284,412)	154,067	121,203	32,864
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,000)	0	1,000	(1,000)	0	1,000
CASH, JANUARY 1	1,000	1,000	0	1,000	1,000	0
CASH, DECEMBER 31	0	1,000	1,000	0	1,000	1,000

Exhibit B

SCOTLAND COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b><u>RECORDER'S USER FEE FUND</u></b>						
<b>RECEIPTS</b>						
Charges for services	2,000	2,068	68	1,900	2,194	294
Total Receipts	2,000	2,068	68	1,900	2,194	294
<b>DISBURSEMENTS</b>						
Ex Officio Recorder of Deeds	6,060	27	6,033	3,900	134	3,766
Total Disbursements	6,060	27	6,033	3,900	134	3,766
RECEIPTS OVER (UNDER) DISBURSEMENTS	(4,060)	2,041	6,101	(2,000)	2,060	4,060
CASH, JANUARY 1	4,060	4,060	0	2,000	2,000	0
CASH, DECEMBER 31	0	6,101	6,101	0	4,060	4,060
<b><u>CIRCUIT CLERK INTEREST FUND</u></b>						
<b>RECEIPTS</b>						
Interest	500	366	(134)	600	513	(87)
Total Receipts	500	366	(134)	600	513	(87)
<b>DISBURSEMENTS</b>						
Circuit Clerk	2,560	0	2,560	2,646	499	2,147
Total Disbursements	2,560	0	2,560	2,646	499	2,147
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,060)	366	2,426	(2,046)	14	2,060
CASH, JANUARY 1	2,060	2,060	0	2,046	2,046	0
CASH, DECEMBER 31	0	2,426	2,426	0	2,060	2,060
<b><u>LAW LIBRARY FUND</u></b>						
<b>RECEIPTS</b>						
Charges for services	1,300	1,589	289	1,200	1,385	185
Interest	150	152	2	0	161	161
Total Receipts	1,450	1,741	291	1,200	1,546	346
<b>DISBURSEMENTS</b>						
Law Library	2,044	2,044	0	5,793	1,123	4,670
Total Disbursements	2,044	2,044	0	5,793	1,123	4,670
RECEIPTS OVER (UNDER) DISBURSEMENTS	(594)	(303)	291	(4,593)	423	5,016
CASH, JANUARY 1	6,139	6,139	0	5,716	5,716	0
CASH, DECEMBER 31	5,545	5,836	291	1,123	6,139	5,016
<b><u>LOCAL EMERGENCY PLANNING COMMISSION - FEDERAL EMERGENCY MANAGEMENT AGENCY FUND</u></b>						
<b>RECEIPTS</b>						
Intergovernmental	3,000	3,921	921	2,800	2,975	175
Total Receipts	3,000	3,921	921	2,800	2,975	175
<b>DISBURSEMENTS</b>						
Other	8,274	5,266	3,008	5,099	0	5,099
Total Disbursements	8,274	5,266	3,008	5,099	0	5,099
RECEIPTS OVER (UNDER) DISBURSEMENTS	(5,274)	(1,345)	3,929	(2,299)	2,975	5,274
CASH, JANUARY 1	5,274	5,274	0	2,299	2,299	0
CASH, DECEMBER 31	0	3,929	3,929	0	5,274	5,274

Exhibit B

SCOTLAND COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b>HEALTH CENTER FUND</b>						
<b>RECEIPTS</b>						
Property taxes	65,000	62,505	(2,495)	65,000	61,873	(3,127)
Intergovernmental	226,051	197,385	(28,666)	209,581	209,449	(132)
Charges for services	5,000	3,865	(1,135)	6,300	4,363	(1,937)
Interest	8,500	8,471	(29)	8,000	8,256	256
Other	27,655	16,132	(11,523)	37,600	28,107	(9,493)
<b>Total Receipts</b>	<b>332,206</b>	<b>288,358</b>	<b>(43,848)</b>	<b>326,481</b>	<b>312,048</b>	<b>(14,433)</b>
<b>DISBURSEMENTS</b>						
Salaries	221,615	203,504	18,111	216,475	196,536	19,939
Office expenditures	26,000	23,608	2,392	29,500	24,929	4,571
Equipment	4,500	2,854	1,646	8,500	5,584	2,916
Mileage and training	13,500	9,437	4,063	12,000	9,325	2,675
Other	60,800	46,543	14,257	58,869	65,368	(6,499)
<b>Total Disbursements</b>	<b>326,415</b>	<b>285,946</b>	<b>40,469</b>	<b>325,344</b>	<b>301,742</b>	<b>23,602</b>
<b>RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	<b>5,791</b>	<b>2,412</b>	<b>(3,379)</b>	<b>1,137</b>	<b>10,306</b>	<b>9,169</b>
CASH, JANUARY 1	0	144,650	144,650	0	134,344	134,344
CASH, DECEMBER 31	5,791	147,062	141,271	1,137	144,650	143,513
<b>ELECTION SERVICES FUND</b>						
<b>RECEIPTS</b>						
Charges for services	600	653	53			
Interest	0	22	22			
<b>Total Receipts</b>	<b>600</b>	<b>675</b>	<b>75</b>			
<b>DISBURSEMENTS</b>						
Election	677	0	677			
<b>Total Disbursements</b>	<b>677</b>	<b>0</b>	<b>677</b>			
<b>RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	<b>(77)</b>	<b>675</b>	<b>752</b>			
CASH, JANUARY 1	77	77	0			
CASH, DECEMBER 31	0	752	752			
<b>PROSECUTING ATTORNEY BAD CHECK FUND</b>						
<b>RECEIPTS</b>						
Charges for services	2,000	4,517	2,517			
<b>Total Receipts</b>	<b>2,000</b>	<b>4,517</b>	<b>2,517</b>			
<b>DISBURSEMENTS</b>						
Prosecuting Attorney	2,619	4,525	(1,906)			
<b>Total Disbursements</b>	<b>2,619</b>	<b>4,525</b>	<b>(1,906)</b>			
<b>RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	<b>(619)</b>	<b>(8)</b>	<b>611</b>			
CASH, JANUARY 1	619	619	0			
CASH, DECEMBER 31	\$ 0	611	611			

Exhibit B

SCOTLAND COUNTY, MISSOURI  
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUNDS

	Year Ended December 31,					
	2000			1999		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b><u>CHILDREN'S TRUST FUND</u></b>						
<b>RECEIPTS</b>						
Charges for services				240	255	15
Total Receipts				240	255	15
<b>DISBURSEMENTS</b>						
Other				340	205	135
Total Disbursements				340	205	135
RECEIPTS OVER (UNDER) DISBURSEMENTS				(100)	50	150
CASH, JANUARY 1				100	100	0
CASH, DECEMBER 31				0	150	150
<b><u>JOINT DISPATCHER FUND</u></b>						
<b>RECEIPTS</b>						
Intergovernmental				15,000	15,000	0
Total Receipts				15,000	15,000	0
<b>DISBURSEMENTS</b>						
Other				18,072	12,866	5,206
Transfers out				0	5,206	(5,206)
Total Disbursements				18,072	18,072	0
RECEIPTS OVER (UNDER) DISBURSEMENTS				(3,072)	(3,072)	0
CASH, JANUARY 1				3,072	3,072	0
CASH, DECEMBER 31				\$ 0	0	0

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

SCOTLAND COUNTY, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying special-purpose financial statements present the receipts, disbursements, and changes in cash of various funds of Scotland County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, or the Health Center Board of Trustees. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 2000, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Associate Circuit Division Interest Fund	2000 and 1999
Cemetery Trusts Fund	2000 and 1999
D.A.R.E. Fund	2000 and 1999
Children's Trust Fund	2000
Local Records Fund	2000
Election Services Fund	1999
Prosecuting Attorney Bad Check Fund	1999

Cash Crop Fund 1999  
 Warrants issued were in excess of budgeted amounts for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Community Development Block Grant Fund	2000
Prosecuting Attorney Bad Check Fund	2000
Off System Fund	1999

Section 50.740, RSMo 2000, prohibits expenditures in excess of the approved budgets.

D Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 2000, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements did not include the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Local Records Fund	2000 and 1999
Associate Division Interest Fund	2000 and 1999
Cemetery Trusts Fund	2000 and 1999
Circuit Clerk Interest Fund	1999
Law Library Fund	1999
Health Center Fund	1999
D.A.R.E Fund	1999
Cash Crop Fund	1999

2. Cash

Section 110.270, RSMo 2000, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo 2000, requires political subdivisions with authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The county's deposits at December 31, 2000 and 1999, were entirely covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name.

The Health Center Board of Trustee's deposits at December 31, 2000 and 1999 were entirely covered by Federal depositary insurance or by collateral securities held by the health center's custodial bank in the health center's name.

However, because of significantly higher bank balances at certain times during the year, uninsured and uncollateralized balances existed at those times although not at year-end for the health center.

To protect the safety of county deposits, Section 110.020, RSMo 2000, requires depositaries to pledge collateral securities to secure county deposits not insured by the Federal Deposit Insurance Corporation.

Supplementary Schedule

Schedule

SCOTLAND COUNTY, MISSOURI  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2000	1999
U. S. DEPARTMENT OF AGRICULTURE				
Passed through state:				
Department of Health -				
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	ERO045-0200	\$ 10,114	13,418
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed through state:				
Department of Economic Development -				
14.228	Community Development Block Grant/State's Program	97-PF-25	32,863	121,203
		99-PF-41	268,075	0
	Program Total		<u>300,938</u>	<u>121,203</u>
U.S. DEPARTMENT OF JUSTICE				
Passed through:				
Missouri Sheriffs' Association -				
16.unknown	Domestic Cannabis Eradication/Suppression Program	N/A	1,332	1,115
U. S. DEPARTMENT OF TRANSPORTATION				
Passed through state:				
Highway and Transportation Commission -				
20.205	Highway Planning and Construction	BRO-099(11)	0	23,909
		BRO-099(12)	15,406	17,117
	Program Total		<u>15,406</u>	<u>41,026</u>
State Emergency Management Agency -				
20.703	Hazardous Material and Emergency Preparedness	HMEMO-09045070	1,269	1,501
GENERAL SERVICES ADMINISTRATION				
Passed through state Office of Administration -				
39.003	Donation of Federal Surplus Personal Property	N/A	1,327	612

Schedule

SCOTLAND COUNTY, MISSOURI  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2000	1999
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through state:				
Department of Health -				
93.197	Childhood Lead Poisoning Prevention Projects - State and Community-Based Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	ERO146-0200CLPP	0	90
93.268	Immunization Grants	PG0064-0200IAP	9,788	7,808
Department of Social Services -				
93.563	Child Support Enforcement	ER0103	48	1,003
Department of Health -				
93.575	Child Care and Development Block Grant	ER0146-0200	1,025	733
Department of Social Services -				
93.667	Social Services Block Grant	ERO172-093	34,011	31,911
Department of Health -				
93.919	Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	EPF161-10005	143	0
93.991	Preventive Health and Health Services Block Grant	PGA064-12001	117	84
93.994	Maternal and Child Health Services Block Grant to the States	ERO146-0200MCH	15,845	11,283
	Total Expenditures of Federal Awards		\$ <u>391,363</u>	<u>231,787</u>

N/A - Not applicable

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

Notes to the Supplementary Schedule

SCOTLAND COUNTY, MISSOURI  
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Scotland County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

*Federal financial assistance* means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals . . . .

*Federal award* means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Donation of Federal Surplus Personal Property (CFDA number 39.003) represent the estimated fair market value of property at the time of receipt.

Of the amounts for Immunization Grants (CFDA number 93.268), \$9,788 and \$7,073 represent the original acquisition cost of vaccines purchased by the Centers for Disease Control of the U.S. Department of Health and Human Services but distributed to the Health Center through the state Department of Health during the years ended December 31, 2000 and 1999. Of the amounts for the Preventive Health and Health Services Block Grant (CFDA number 93.991), \$117 and \$84 represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 2000 and 1999. Of the amounts for the Maternal and Child Health Services Block Grant to the States (CFDA number 93.994), \$583 and \$421 also represent the original acquisition cost of vaccines received by the Health Center through the state Department of Health during the years ended December 31, 2000 and 1999. The remaining amounts for Immunization Grants and the Maternal and Child Health Services Block Grant to the States represent cash disbursements.

2. Subrecipients

Of the federal expenditures presented in the schedule, the county provided \$268,075 to a subrecipient under the Community Development Block Grant Program (CFDA number 14.228) during the year ended December 31, 2000.

FEDERAL AWARDS -  
SINGLE AUDIT SECTION

State Auditor's Report



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission  
and  
Officeholders of Scotland County, Missouri

Compliance

We have audited the compliance of Scotland County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 2000 and 1999. The county's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Scotland County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the years ended December 31, 2000 and 1999.

## Internal Control Over Compliance

The management of Scotland County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the management of Scotland County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill  
State Auditor

March 29, 2001 (fieldwork completion date)

Schedule

SCOTLAND COUNTY, MISSOURI  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 (INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)  
 YEARS ENDED DECEMBER 31, 2000 AND 1999

**Section I - Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?        yes   x   no

Reportable conditions identified that are not considered to be material weaknesses?        yes   x   none reported

Noncompliance material to the financial statements noted?   x   yes        no

Federal Awards

Internal control over major program:

Material weaknesses identified?        yes   x   no

Reportable conditions identified that are not considered to be material weaknesses?        yes   x   none reported

Type of auditor's report issued on compliance for major program: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?        yes   x   no

Identification of major program:

CFDA or

Other Identifying

14.228

Program Title

Community Development Block Grant/State's Program

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as a low-risk auditee?        yes   x   no

**Section II - Financial Statement Findings**

This section includes the audit finding that *Government Auditing Standards* requires to be reported for an audit of financial statements.

**00-1. Budgetary Practices**

Actual disbursements exceeded budgeted amounts in the following funds:

Fund	Year Ended December 31,	
	2000	1999
Off System Fund	\$ N/A	141
Community Development Block Grant Fund	284,412	N/A
Prosecuting Attorney Bad Check Fund	1,906	N/A

Although the County Commission approved and budgeted Community Development Block Grant Fund disbursements of \$16,526 in 2000, an additional federal grant for a Community Development Block Grant project was received after the budget was finalized, resulting in significantly greater receipts and disbursements for 2000. The county apparently failed to monitor such financial activities and did not amend the Community Development Block Grant budget.

It was ruled in *State ex rel. Strong v. Cribb*, 364 Mo. 1122, 273 S.W. 2d 246 (1954), that strict compliance with the county budget law is required by county officials. If there are valid reasons which necessitate excess disbursements, budget amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor’s office. In addition, Section 50.622, RSMo 2000, provides that counties may amend the annual budget during any year in which the county receives additional funds which could not be estimated when the budget was adopted and that the county shall follow the same procedures required for adoption of the annual budget to amend its budget.

**WE RECOMMEND** the County Commission not authorize disbursements in excess of budgeted amounts. If necessary, extenuating circumstances should be fully documented and the budgets properly amended and filed with the State Auditor’s Office

**AUDITEE’S RESPONSE AND PLAN FOR CORRECTIVE ACTION**

*The County Commission stated they agree with the recommendation. They said that the block grant mentioned was a unique project in which the block grant money was passed through to a rural water*

*district and the failure to amend the budget was an oversight. In the future, they will ensure that budgets are amended as needed.*

### **Section III - Federal Award Findings and Questioned Costs**

This section includes no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

Follow-Up on Prior Audit Findings for an  
Audit of Financial Statements Performed in Accordance  
With *Government Auditing Standards*

SCOTLAND COUNTY, MISSOURI  
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS*

Our prior audit report issued for the two years ended December 31, 1998, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings  
in Accordance With OMB Circular A-133

SCOTLAND COUNTY, MISSOURI  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

Our prior audit report issued for the two years ended December 31, 1998, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -  
State Auditor's Findings

SCOTLAND COUNTY, MISSOURI  
MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S FINDINGS

We have audited the special-purpose financial statements of various funds of Scotland County, Missouri, as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated March 29, 2001. We also have audited the compliance of Scotland County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 2000 and 1999, and have issued our report thereon dated March 29, 2001.

We also have audited the operations of elected officials with funds other than those presented in the special-purpose financial statements. As applicable, the objectives of this audit were to:

1. Determine the internal controls established over the transactions of the various county officials.
2. Review and evaluate certain other management practices for efficiency and effectiveness.
3. Review certain management practices and financial information for compliance with applicable constitutional, statutory, or contractual provisions.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed accounting and bank records and other pertinent documents and interviewed various personnel of the county officials.

As part of our audit, we assessed the controls of the various county officials to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Our audit was limited to the specific matters described in the preceding paragraphs and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Management Advisory Report presents our findings arising from our audit of the elected county officials referred to above. In addition, this report includes findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These findings resulted from our audit of the special-purpose financial statements of Scotland County but do not meet the criteria for inclusion in the written report on compliance and on internal control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*.

**1.**

**County Policies**

- A. Bids were not solicited or bid documentation was not retained for some purchases. Examples of the items purchased without documentation of bids and/or advertisement are as follows:

Road and Bridge Supplies	\$	6,300
Road Rock		165,031
Steel Pipe		29,497
Rent on Equipment used for Road & Bridge Project		22,210

The county indicated they often solicited bids by phone or items were sometimes purchased from sole source suppliers or from suppliers they knew would have the lower price. Documentation of such sole source procurements was not maintained. The road work expenditure represented one transaction with the quarry. The road and bridge supplies and steel pipe purchases represent several transactions.

Section 50.660, RSMo 2000, requires the advertisement for bids for all purchases of \$4,500 or more, from any one person, firm, or corporation during any period of ninety days.

Bidding procedures for major purchases provide a framework for economical management of county resources and help assure the county that it receives fair value by contracting with the lowest and best bidder. In addition, competitive bidding ensures all parties are given an equal opportunity to participate in county business. Documentation of bids should always be retained as evidence the county's established purchasing procedures, as well as statutory requirements, are followed. Documentation of bids should include, at a minimum, a listing of vendors from whom bids were requested, a copy of the request for proposal, a newspaper publication notice if applicable, a copy of all bids received, and a summary of the basis and justification for awarding the bid.

A similar condition was noted in the prior audit.

- B. The County Clerk does not prepare adequate records of the meetings of the County Commission. Minutes frequently lack sufficient detail of discussions and votes taken and items such as bid solicitations and selections, transfers between funds, and various other decisions are not always documented. In addition, the minutes are not prepared in a timely manner. The January and February 2001 minutes had not been prepared as of March 29, 2001.

Section 51.120, RSMo 2000, requires the County Clerk to keep an accurate record of the orders, rules, and proceedings of the County Commission. Timely preparation and approval not only ensures authenticity of official minutes, but allows a review of the

contents to ensure that the minutes include all important information regarding the meetings held.

- C.1. The Prosecuting Attorney does not have an office in the courthouse; instead she performs her county duties from an office building used in the operation of her private law practice. The Prosecuting Attorney has not documented the actual costs of running the office or the percentage of the costs of the office that relate to official duties. Rather, the county pays the Prosecuting Attorney \$340 per month as an allowance for the office expenses incurred on behalf of the county which include utilities, telephone, library/upkeep, supplies, and postage. The county has made similar payments to previous prosecuting attorneys for a number of years. Also, as noted in MAR #7, in December 2000 the county also paid two invoices for utility and telephone expenses for the Prosecuting Attorney's Office from the Prosecuting Attorney's Bad Check Fund. No supporting documentation is provided to the county for these monthly expenses, nor does the county have a written agreement with the Prosecuting Attorney outlining the portion of the total office expenses to be paid by the county.

The Prosecuting Attorney's unsupported expense reimbursements were not reported on her W-2 forms as required by law. IRS regulations specifically require employee business expenses not accounted for to the employer to be considered gross income and payroll taxes to be withheld from the undocumented payments. In addition, Section 432.070, RSMo 2000, requires that all county contracts be in writing.

2. The Circuit Court Judge charges Scotland, Clark and Schuyler counties every month for the expenses of his office. The monthly expense claims include specific documented actual costs for books/publications, office supplies, telephone, copies, and postage, as well as a flat charge of \$150 per month for use of equipment.

The county does not have a contract with the Circuit Court Judge for the rental of the equipment, indicating how the rental amounts were determined. However upon our request, the Circuit Court Judge provided a listing of rental equipment, including items such as a desk, office chairs, filing cabinets, and a copier, with purchase values totaling \$13,900. Section 432.070, RSMo 2000, requires that all county contracts be in writing.

Similar conditions were noted in the prior three audit reports and there has been no action by the County Commission to remedy the conditions or implement the prior recommendations. Without supporting documentation, the County Commission cannot determine the validity and propriety of the expenditures.

**WE RECOMMEND** the County Commission:

- A. Solicit bids for all purchases in accordance with state law and maintain sufficient documentation of all bids obtained and justification of bid awards. If bids cannot be obtained and sole source or emergency procurement is necessary, the County Commission minutes should reflect the circumstances.

- B. Ensure a complete record of meetings is prepared and approved on a timely basis.
- C. Require adequate supporting documentation prior to approving expenditures for payment and any unsupported payments to employees should be included on W-2 forms. In addition, all county contracts should be in writing and the basis for payments should be documented.

**AUDITEE'S RESPONSE**

- A. *The County Commission stated that they agree with the recommendation and are already implementing it. They indicated they are now trying to ensure purchases over \$4,500 are being bid and documentation is being retained. If bids cannot be taken, the reasons and circumstances for the purchase will be documented in the minutes.*
- B. *The County Commission stated they agree and the recommendation is already being implemented. The County Clerk indicated she is now keeping more detailed minutes and preparing them more timely.*
- C. *The County Commission stated that they agree with the recommendation and have already developed a written contract with the Circuit Court Judge, including information regarding the equipment to which the rental payment applies. They also indicated that negotiations with the Prosecuting Attorney are ongoing.*

<b>2. Capital Improvements and Law Enforcement Sales Taxes</b>
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As authorized by Section 67.700, RSMo 2000, county voters approved a capital improvements sales tax for improvements of the county's roads and bridges. State law requires the monies received from a capital improvements sales tax to be deposited in a separate fund and used solely for the designated purpose. The county deposited the receipts from the capital improvements sales tax into the county's Special Road and Bridge Fund and did not separately account for disbursements made from the sales tax receipts.

In addition, the county voters passed a law enforcement sales tax authorized by Section 67.582, RSMo 2000. State law requires monies received from this law enforcement sales tax be deposited in a separate fund and used solely for the designated purpose. The county deposited the law enforcement sales tax receipts in the county's General Revenue Fund and did not separately account for disbursements made from the sales tax receipts.

While it appeared restricted disbursements exceeded the applicable sales tax receipts, use of the appropriate separate sales tax funds would provide better control and compliance with the statutory requirements.

These conditions were noted in the prior three audit reports. The County Commission indicated in their response to the prior report that a year end report would be prepared to document the amount of such sales tax monies spent for the restricted purposes. However,

no such report has been prepared and no other corrective action has been taken to remedy the above conditions.

**WE AGAIN RECOMMEND** the County Commission direct the Treasurer to deposit revenues from the capital improvements sales tax and the law enforcement sales tax into separate funds to properly account for the use of these monies.

**AUDITEE'S RESPONSE**

*The County Commission stated that they agree with the recommendation. Starting in January 2002, they plan to establish separate funds and budgets for both of these special sales taxes.*

<b>3. Property Tax System and Computer Controls</b>
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- A. The County Collector prepares the tax books, collects and distributes property taxes, and makes changes to the property tax records for additions and abatements throughout the year. Neither the County Commission nor the County Clerk provide a review of the activities of the County Collector, even though property tax collections are a significant source of revenues for the county and various state laws require their involvement in these processes. The County Clerk does not maintain an account book with the Collector, nor does she verify the totals of the tax books. In addition, even though court orders for additions and abatements are approved by the County Commission when prepared, there is no independent and subsequent review of the actual changes made to the tax books, nor is there any apparent review of the County Collector's annual settlement of activity.

A complete account book, summarizing taxes charged, monthly collections, abatements and additions, and protested payments would help the County Clerk ensure the amount of taxes charged and credited to the County Collector each year is complete and accurate and could also be used by the County Commission to verify the County Collector's annual settlements. The accuracy of the taxes charged for collection would also be substantiated by the County Clerk verifying the tax book totals at the start of the tax year and through a subsequent independent reconciliation of approved addition and abatement orders to actual changes made to the property tax data files.

Some of these records and controls are also required by various sections of state law, which are intended to establish some checks and balances related to the collection of property taxes. In addition, some of these conditions have been noted in our prior four audit reports and, although the County Commission indicated they would consider possible changes, no action has been taken.

- B. Access to the computer programs such as the property tax, payroll, and disbursement systems is not adequately restricted. Staff in both the County Collector's and County Assessor's offices have access to the property tax system, the County Clerk's office

has access to the payroll and disbursement systems, and the County Treasurer has her own system. However, personnel in the County Collector's, County Clerk's and County Treasurer's offices do not utilize passwords. The lack of an effective system of user passwords may allow unauthorized changes to be made to tax books, payroll records, and disbursement ledgers.

To establish individual responsibility, as well as help preserve the integrity of computer programs and data files, access to information should be limited to authorized individuals. A system of passwords and other procedures can be used to properly restrict access. A unique password should be assigned to each user of a system, and these passwords should be kept confidential and changed periodically to help limit the effect of unauthorized access to computer files.

- C. Backup disks of information for the County Clerk's, County Treasurer's, and Health Center's computer systems, which could be used to provide a means of recreating destroyed master disks, are not prepared periodically. As a result, damage to these computer systems could make it difficult, or even impossible, to retrieve or recreate lost program modifications and/or data. Preparation of backup disks, along with off-site storage, would provide increased assurance that methods are available to restore any lost data or program modifications.

Conditions B and C were also noted in our previous two audit reports.

**WE AGAIN RECOMMEND:**

- A. The County Clerk prepare the current and back tax books or verify the totals generated by the County Collector's office, maintain a complete account book of the County Collector's transactions, and the County Clerk and County Commission make use of this account book to verify the County Collector's annual settlements. The County Clerk or County Commission should also agree approved addition and abatement orders with related changes made to the tax records.
- B. The County Commission consult with their programmer and establish procedures to restrict access to computer files, including the use of unique passwords, to authorized individuals.
- C. The County Clerk, Treasurer, and Health Center Board of Trustees ensure that backup disks from the computer systems are prepared and stored in a secure, off-site location.

**AUDITEE'S RESPONSE**

- A. *The County Commission and County Clerk stated that they agree and have already taken steps to implement the recommendations. The County Clerk has now started maintaining an account book which will be posted monthly with the Collector's activity, including any approved additions and abatements. The County Clerk will use the account book to verify*

*the information on the Collector's annual settlement. The County Clerk also stated she will start verifying the tax books on a test basis when they are prepared each year.*

- B. The County Commission stated they agree with the recommendation. The County Clerk stated that she is currently looking at a software package which will allow passwords to be used on the County Clerk's and County Treasurer's computers. The current software does not have such a capability. The County Clerk will also be discussing this issue with the County Collector.*
- C. The County Clerk stated that she has now begun backing up her computer system weekly and will begin taking the backup disk home with her immediately. The County Clerk and County Treasurer stated they have discussed how to backup the Treasurer's computer and they will work together to ensure that is done and that the backup disk will be taken off-site. The Health Center Administrator stated that they have already implemented the recommendation as well. The bookkeeper now prepares backup disks of the computer system regularly and keeps the backup disk at her home.*

<b>4. Personnel and Payroll Policies and Procedures</b>
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Our review of the county's personnel and payroll policies and procedures indicated the following areas of concern:

- A. Section 50.333.13, RSMo, enacted in 1997, allowed salary commissions meeting in 1997 to provide mid-term salary increases for associate county commissioners elected in 1996. The motivation behind this amendment was the fact that associate county commissioners' terms had been increased from two years to four years. Based on this statute, in 1999 Scotland County's Associate County Commissioners salaries were each increased approximately \$1,900 yearly, according to information from the County Clerk.

On May 15, 2001, the Missouri Supreme Court handed down an opinion in a case that challenged the validity of that statute. The Supreme Court held that this section of statute violated Article VII, section 13 of the Missouri Constitution, which specifically prohibits an increase in compensation for state, county and municipal officers during the term of office. This case, *Laclede County v. Douglass et al.*, holds that all raises given pursuant to this statute section are unconstitutional.

Based on the Supreme Court decision, the raises given to each of the Associate County Commissioners, totaling approximately \$3,800 for the two years ended December 31, 2000, should be repaid. In addition, in light of the ruling, any raises given to other officials within their term of office should be re-evaluated for propriety.

- B. The county's personnel policy requires time sheets be prepared by all employees, reviewed and approved by the employee's supervisor, and submitted to the County Clerk's office. However, time sheets are not always prepared by employees or

maintained by the County Clerk's office and in some cases appear to be inaccurate. We noted instances where time sheets could not be found and time actually worked did not appear to agree with what was recorded on the timesheet. For example, based on comments from courthouse employees, we noted one employee had earned and used compensatory time; however none of this activity was reflected on the approved timesheet submitted to the county. When asked, the individual provided us with personal records to support the hours earned and used. Additionally, time sheets are not always signed by the employees' supervisor.

The Fair Labor Standards Act (FLSA) requires employers to keep accurate records of actual time worked by employees, including compensatory time earned, taken, or paid. To ensure adequate support for payroll expenditures, the time records should be prepared and signed by all employees, approved by the applicable supervisor, and filed with the County Clerk.

A similar condition was noted in the prior two audit reports.

- C. While the county now maintains centralized leave records, a comparison of timesheets and leave records indicated employee leave balances are not always correctly recorded on the centralized leave records and monitored for compliance with the county's accumulation limits. Instances were noted where an employee lost sixteen hours of annual leave because of a calculation error, another employee received and used eight hours more annual leave than earned, and a third employee received and used sixteen hours more annual leave than earned.

It appears the County Clerk is not comparing time sheets to leave records to ensure leave activity reported on the time sheets is accurately posted to the centralized leave records. The activity reflected on employee time sheets and leave records should be carefully reviewed for consistency and mathematical accuracy to ensure that employee leave balances are correct.

A similar condition was noted in the prior three audit reports.

- D. The county's current personnel policy does not adequately address the issue of overtime/compensatory time. While courthouse employees work a 32.5 hour workweek, the county's overtime policy indicates actual hours worked in excess of 40 in any workweek are compensated at a rate of one and one-half the normal rate of pay. The policy does not address the compensation of such hours between 32.5 and 40 in a week, nor does it indicate compensatory time is allowable in lieu of payment for extra hours worked. During our review, we noted several instances where employees were accruing and using compensatory time at a rate of one hour for every hour of time worked in excess of 32.5 hours per week. In addition, the actual hours worked and compensatory time that was earned and used was not always accurately reflected on individual timesheets, as noted in part B above.

The FLSA requires employers to keep accurate records of actual time worked by employees, including compensatory time earned, taken, or paid.

**WE RECOMMEND** the County Commission:

- A. Review the impact of this decision and develop a plan for obtaining repayment of the salary overpayments.
- B. Ensure accurate and complete time sheets are prepared and maintained for all employees. The records should be prepared and signed by employees, approved by the applicable supervisor, and filed with the County Clerk.
- C. Ensure that employee leave earned, taken, and the accumulated balances are reported accurately and require the County Clerk to properly maintain centralized annual, sick and compensatory leave records.
- D. Ensure county policy addresses how employees are to be compensated for any hours worked between 32.5 and 40 in a workweek and whether the granting of compensatory time off in lieu of payment is allowable. Timesheets should accurately reflect actual hours worked, including any compensatory time accrued and taken.

**AUDITEE'S RESPONSE**

- A. *The County Commission provided the following response:*

*Our action was based on following Statute 50.333.13 as follows: "At the salary commission meeting in 1997 which establishes salaries for those officers to be elected at the general election in 1998, the salary commission of each noncharter county may provide salary increases for associate county commissioners elected in 1996. This one-time increase is necessitated by the change from two to four year terms for associate commissioners pursuant to House Bill 256, passed by the first regular session of the Eighty-Eighth General Assembly in 1995."*

*Because of this statute, the County Commission feels that until the Supreme Court rules that this money shall be paid back, we will take no further action on this matter.*

- B. *The County Commission stated that they agree with the recommendations. Effective May 1, 2001 a new timesheet was implemented. The new timesheet requires both the employee's signature and the supervisor's signature before paychecks will be issued. The timesheet also requires time to be reported as actually worked, with explanations for any time outside of normal work hours. The County Commission also stated that the only employee they are not currently receiving a timesheet from is the Road Boss, but that they monitor his work closely enough that they are certain he is working his required time.*
- C. *The County Commission stated that they agree with the recommendation. The County Clerk stated she is now monitoring the leave reported on the timesheets and posted to the leave records more closely. She stated she is considering periodically reporting to the employees the various leave balances so they can verify the accuracy.*

D. *The County Commission stated that they agree that timesheets should reflect the actual hours worked. The County Commission stated they intend to enforce the current policy which requires overtime to be paid and will not allow the use of compensatory time off. In addition, they said that no overtime will be granted for hours worked between 32.5 and 40 hours in a week because all the positions in question are salaried positions and they believe the salary paid covers all time up to 40 hours.*

<b>5. Fixed Assets</b>
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The County Commission or its designee is responsible for maintaining a complete, detailed record of county property. In the past, the County Clerk has been primarily responsible for these records. However, purchases of new fixed assets and disposition of old items have not been recorded on the fixed asset listing since 1993. In addition, since that time, most new assets have not been properly numbered, tagged, or otherwise identified and physical inventories have not been performed.

Adequate general fixed asset records are necessary to secure better internal control over county property, meet statutory requirements, and provide a basis for determining proper insurance coverage required on county property. Physical inventories of county property are necessary to ensure the fixed asset records are accurate, identify any unrecorded additions and deletions, detect theft of assets, and identify obsolete assets.

Effective August 28, 1999, Section 49.093, RSMo 2000, provides the county officer of each county department shall annually inspect and inventory county property used by that department with an individual original value of \$250 or more and any property with an aggregate original value of \$1,000 or more. After the first inventory is taken, an explanation of material changes shall be attached to subsequent inventories. All remaining property not inventoried by a particular department shall be inventoried by the county clerk. The reports required by this section shall be signed by the county clerk.

**WE RECOMMEND** the County Commission establish a written policy related to the handling and accounting for fixed assets. Besides providing guidance on accounting and record keeping, the policy could include necessary definitions, address important dates, establish standardized forms and reports to be used, discuss procedures for the handling of asset disposition, and any other concerns associated with county property. In addition, all fixed asset purchases and dispositions should be recorded as they occur and purchased items should be tagged or identified as county-owned property upon receipt.

**AUDITEE'S RESPONSE**

*The County Commission stated that they agree and have now established a policy addressing these issues. They intend to have the inventory listing updated and completed by July 1, 2001 and plan to have annual physical inventories performed by October 1 of each year.*

The Sheriff's office handles receipts in the form of cash and checks for bonds, sheriff fees, and gun permits, etc. These monies, totaling approximately \$33,000 and \$23,000 for the years ended December 31, 2000 and 1999, respectively, are remitted to the County Treasurer or Associate Court monthly. Our review noted the following concerns:

- A. The duties of cash custody and record-keeping have not been adequately segregated. The Sheriff's bookkeeper is primarily responsible for collecting, recording, depositing, and disbursing all monies. The Sheriff's deputies and dispatchers may also receipt money. There are no documented reviews of the accounting records performed by the Sheriff or another supervisor.

Proper segregation of duties helps ensure that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving and depositing receipts from recording and reconciling receipts. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory reviews of the records should be performed and documented.

- B. The Sheriff's office issues prenumbered receipt slips for all monies received but the receipt slips do not indicate the method of payment. To ensure receipts are handled properly, the method of payment should be indicated on the receipt slips and the composition (cash and checks) noted on receipt slips should be reconciled to the composition of the bank deposits.

**WE RECOMMEND** the Sheriff:

- A. Adequately segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented.
- B. Require the method of payment be indicated on all receipt slips and ensure the composition of cash and checks per the receipt slips is reconciled to monies deposited to the bank account.

**AUDITEE'S RESPONSE**

- A. *The Sheriff stated that he agrees with the recommendation. He stated he is going to be hiring an additional employee, part of whose duties will be to provide oversight of these activities and the accounting records. In addition, the Sheriff stated that he is now also reviewing the accounting records and documenting his review.*
- B. *The Sheriff stated that he agrees with the recommendation and will implement it immediately.*

Since February 1999, the Prosecuting Attorney's office has been receiving monies for bad check restitution and fee payments. Payments are to be made by two separate money orders or cashier's checks; one made payable to the vendor for bad check restitution and service fees, and one made payable to Scotland County to cover the Prosecuting Attorney's fee. During 2000, the Prosecuting Attorney's records indicate approximately 225 bad check complaints were filed. We reviewed the accounting controls and procedures of the office and noted the following concerns:

- A. Duties are not adequately segregated. Currently all duties, including receiving and recording bad check complaints and payments, transmitting and disbursing monies, and following-up on amounts still due are performed by one employee, with no independent oversight. To ensure proper accountability, the duties of receiving and recording complaints and payments should be segregated from the duties of disbursing/transmitting monies and following-up on amounts due. If the duties cannot be adequately segregated, at a minimum, someone independent should periodically review the bad check records and compare records of monies received with documentation of transmittal to the County Treasurer and disbursement to the victims, as well as ensuring recorded dispositions appear proper. Failure to adequately segregate duties or provide a supervisory review increases the risk that errors or irregularities will not be detected in a timely manner.
- B. Prenumbered receipt slips were not issued for most monies received. Receipt slips that were issued were written from the same receipt slip book that was used for the Prosecuting Attorney's private practice and were not issued in sequential order. To ensure all monies are handled and accounted for properly, separate prenumbered receipt slips should be issued for all monies received by the Prosecuting Attorney in an official capacity.
- C. An adequate system to account for all bad check complaints received by the Prosecuting Attorney's office, as well as subsequent disposition of these complaints, has not been established. The bad check complaints are not assigned sequential control numbers nor are they recorded on an initial log or listing as they are received. During our review, we found that some complaints were insufficiently processed and erroneously included among the closed complaint files and some files could not be located. In addition, the Prosecuting Attorney does not obtain documentation from the merchant when the restitution checks are turned over to them.

To ensure all bad checks turned over to the Prosecuting Attorney are properly handled, a sequential number should be assigned to each bad check complaint received and a log should be maintained listing each complaint and its disposition. The log should contain information such as the complaint number, the merchant's name, the issuer of the check, the amount of the bad check fee, and the disposition of the bad check, including date restitution was received and disbursed to the merchant, the date and criminal case in which charges were filed, or other disposition. In

addition, documentation should be obtained from the merchant to indicate their receipt of the restitution.

- D. The Prosecuting Attorney has not established a formal policy specifying when unpaid bad check complaints should be filed as a court case. During our review of bad check files, we noted that collection procedures and efforts are not always made timely and there is no clear policy of follow-up collection efforts to be taken or timing of the efforts. As indicated above, we noted several complaints which were filed as closed, even though there was no documentation the bad check had been resolved or a court case filed.

The Prosecuting Attorney should establish written procedures for collection of unpaid bad check restitution and fees. Such procedures should consist of generating periodic reports of complaints with balances due and following up on those for which payments are not being made. In addition, information regarding complaints with delinquent payments and significant balances due should be regularly provided to the Prosecuting Attorney for review and assessment of follow-up collection efforts or other court action which may be necessary.

- E. During December 2000, the Prosecuting Attorney submitted two invoices for utilities and telephone expenses, totaling approximately \$480, to be paid from the Prosecuting Attorney Bad Check Fund. The invoices included the utilities and telephone expenses for the entire building, which the Prosecuting Attorney also uses for her private practice and a place of residence. Payment of expenses not related to official duties does not appear to be a prudent use of public funds. In addition, Section 570.120 RSMo 2000, provides that the Prosecuting Attorney Bad Check Fund may be used only for office supplies, postage, books, training, office equipment, capital outlay, trial and witness preparation, and employee salaries.

**WE RECOMMEND** the Prosecuting Attorney:

- A. Provide for adequate segregation of duties and/or performance of independent reconciliations and reviews of accounting records.
- B. Ensure official prenumbered receipt slips are issued for all monies received.
- C. Assign sequential control numbers to bad check complaints and maintain a log to adequately account for bad check complaints as well as the ultimate disposition.
- D. Maintain a complete and accurate listing of delinquent bad check restitution and fees. In addition, written procedures should be established and implemented for pursuing the collection of such complaints, including when to file as court cases.
- E. Limit future expenditures of the Prosecuting Attorney Bad Check Fund to expenses related to the official duties of prosecution of bad check complaints.

## **AUDITEE'S RESPONSE**

- A. *The Prosecuting Attorney stated that she agrees with the recommendation and has already taken steps to implement it. Effective the beginning of April 2001, both the employee's direct supervisor and the Prosecuting Attorney began closely reviewing the activity on the bad check complaints, including the preparation and review of various reconciliations.*
- B. *The Prosecuting Attorney stated that she agrees with the recommendation and has already implemented it. A separate series of prenumbered receipt slips is now being used and the receipt slips are issued for all bad check monies received.*
- C. *The Prosecuting Attorney stated that she agrees with the recommendation and has already implemented it. As of March 27, 2001 sequential control numbers are now assigned to all new bad check complaints and a control log of the complaints and related actions is also now maintained. In addition, the staff has now gone back through all past bad check complaints to ensure they have been fully processed. The office also now provides a postcard to vendors that they are to return to document their receipt of the restitution.*
- D. *The Prosecuting Attorney stated that she agrees with the recommendations. She stated her office has now developed written procedures that document the various steps in the process of collecting bad checks. They now also monitor the bad check log frequently to ensure that bad check complaints are processed timely and have developed a checklist to be completed for each complaint before it is closed out to ensure all applicable steps have been taken.*
- E. *The Prosecuting Attorney stated that she agrees expenditures from the Bad Check Fund should, and will be, restricted to the official duties related to prosecution and allowed by statute. Regarding the invoices mentioned, the Prosecuting Attorney stated that the various areas of the building are billed together and the invoices were submitted and paid in error. The applicable amounts will be reimbursed to the Bad Check Fund.*

This report is intended for the information of the management of Scotland County, Missouri, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

## Follow-Up on Prior Audit Findings

SCOTLAND COUNTY, MISSOURI  
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Scotland County, Missouri, on findings in the Management Advisory Report (MAR) of our audit report issued for the two years ended December 31, 1996.

The prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the county should consider implementing those recommendations.

1. County Policies

- A. In December 1995, the county entered into an unauthorized five year agreement with a corporation to abate its personal and real estate taxes beginning with the 1996 tax year, provided the company employed at least forty full time employees.
- B. Receipts were not required to support the expenditure of travel monies advanced to the former Sheriff to cover the costs of extraditing prisoners from other states, some unused advances were not returned timely, and unsupported expense reimbursements were not included on the former Sheriff's W-2 forms.
- C. During 1996, a deputy serving as a guard was paid the guard fee and mileage rather than including the time worked in the regular payroll compensation. As a result the guard fees were not subject to payroll withholdings and were not reported on the respective W-2 forms.
- D. The county did not maintain adequate supporting documentation for expenditures.

Recommendation:

The County Commission:

- A. Discuss with the prosecuting attorney the best method of handling the current agreement that the county has entered. In the future, the County Commission should follow allowable methods as provided by the statutes.
- B. Ensure receipts supporting expenditures and any funds remaining from monies advanced to the Sheriff for extraditing prisoners are returned to the county on a timely basis. In addition, the County Commission should ensure all unsupported payments to county employees are included on the employee's annual W-2 form.
- C. Ensure deputies who serve as guards are paid under normal payroll procedures for the actual time worked.

- D. Ensure adequate supporting documentation is obtained and maintained for all expenditures.

Status:

- A. Partially implemented. The County discontinued the practice of entering into new agreements with corporations to abate their taxes. However, the County Commission never consulted with the Prosecuting Attorney about how to handle the agreement that had been entered into and the prior agreement was still in effect until the end of the audit period.

B&C. Implemented.

- D. Not implemented. Invoices for two of sixty items reviewed were not adequately detailed. Although not repeated in the current MAR, our recommendation remains as stated above.

2. Former Sheriff's Missing Records and Property

See our audit report on Scotland County, Missouri, for the two years ended December 31, 1998 (report number 99-70).

3. Capital Improvements and Law Enforcement Sales Taxes

The county deposited the receipts from the capital improvements sales tax into the county's Special Road and Bridge Fund and the law enforcement sales tax into the county's General Revenue Fund rather than establishing separate funds as required by state law. The disbursements made from these sales tax receipts were also not accounted for separately.

Recommendation:

The County Commission direct the Treasurer to deposit receipts from the capital improvements sales tax and the law enforcement sales tax into separate funds to properly account for the use of these monies.

Status:

Not implemented. See MAR No. 2.

4. Property Tax System and Computer Controls

- A. The County Clerk did not prepare the current or back tax books for real estate and personal property taxes or verify the tax book totals.
- B. The County Clerk did not maintain an account book with the County Collector.

- C. The County Collector made changes to the property tax records for additions and abate­ments which occurred throughout the year. There was no independent and subsequent comparison of approved additions and abate­ments to actual changes to the property tax data files or to amounts reflected on the County Collector's annual settle­ment.
- D. Access to the computer programs such as the property tax, payroll, and disbursement systems was not adequately restricted.
- E. Backup disks of information for the county's computer systems were not stored at an off-site location.

Recommendation:

- A. The County Clerk prepare the current and back tax books or verify the totals generated by the County Collector's office.
- B. The County Clerk maintain a complete account book of the County Collector's transactions, and the County Commission make use of this account book to verify the County Collector's annual settle­ments.
- C. The County Commission revise the addition/abatement process so that the County Collector does not have the capability to make changes to tax data without other controls in place.
- D. The County Commission establish procedures to restrict access to computer files, through the use of unique passwords, to only those individuals who need to use the information.
- E. The County Commission ensure that backup disks from the county's computer systems are prepared and stored in a secure, off-site location.

Status:

A-E. Not implemented. See MAR No. 3.

5. Personnel Policies and Procedures

- A. Centralized accumulated vacation and sick leave records were not maintained by the County Clerk and most elected officials also did not keep such records for their employees.
- B. Time records were prepared and signed by county employees but no indication of supervisory approval was documented.

Recommendation:

- A. The County Clerk maintain centralized employee leave records for all county employees.
- B. The County Commission require all county employees to prepare and submit time sheets which are signed by the employee and approved by the applicable supervisor.

Status:

- A. Partially implemented. Although the County Clerk now maintains centralized leave records for all county employees, a number of the leave records appeared to be incomplete and inaccurate. See MAR No. 4.
- B. Not implemented. See MAR No. 4.

6. Documentation of Reimbursable Expenses

- A. The county paid the Prosecuting Attorney \$340 per month as an allowance for office expenses incurred on behalf of the county. No supporting documentation was provided to the county and the unsupported expense reimbursements were not reported on the W-2 forms of the Prosecuting Attorney.
- B. The Circuit Court Judge charged Scotland, Clark, and Schuyler counties every month for the expenses of his office, including \$150 for rental of equipment owned by the judge. There was no contract for the rental of the equipment, and no documentation to indicate how the rental amount was determined.

Recommendation:

The County Commission require adequate supporting documentation prior to approving expenditures for payment. All county contracts should be in writing and rental agreements should be supported by documentation of how rental amounts were determined. In addition, unsupported payments to county employees should be included on W-2 forms.

Status:

Not implemented. See MAR No. 1.

7. Sheriff's Accounting Controls and Procedures

- A. Receipt slips issued by the Sheriff's Office were not prenumbered and did not indicate the method of payment.
- B. Formal monthly bank reconciliations were not always prepared.

- C. There was no ledger maintained to control billings or collections of prisoner boarding costs billed to other governments.
- D. No comparison between the number of meals billed and received from a local restaurant and the number of prisoners fed was made by the Sheriff's Department or by the County Clerk.

Recommendation:

The Sheriff:

- A. Issue prenumbered receipt slips for all monies received, require the method of payment be indicated on all receipts, and reconcile total cash and checks to monies deposited to the bank account.
- B. Prepare formal bank reconciliations every month. The reconciled bank balance should be agreed to the book balance on a monthly basis and any differences investigated.
- C. Compare prisoner board billings and the subsequent payments received by the County Treasurer on a regular basis and rebill any unpaid amounts. Documentation of any subsequent billings should be maintained.
- D. Compare prisoner meal records with the vendor's invoice and investigate and reconcile any differences. In addition, the Sheriff and County Commission may want to consider whether the county might have other, less costly, alternatives for providing prisoner meals.

Status:

- A. Not implemented. See MAR No. 6.
- B, C,  
& D. Implemented.

8. Circuit Clerk's Accounting Controls

The accounting duties in the Circuit Clerk's office were not adequately segregated and there was no documentation that the Circuit Clerk performed reconciliations of the records or reviewed the work performed by the Deputy Circuit Clerk.

Recommendation:

The Circuit Clerk perform documented supervisory reviews of the Deputy Clerk's work.

Status:

Implemented.

9. Health Center's Controls and Procedures

- A. The Board of Trustees approved expenditures in excess of budgeted amounts of \$3,869 and \$13,308 for the years ended December 31, 1996 and 1995, respectively.
- B. Some available resources, including the Car Seat Program and Equipment Loan Program, were not reported on the budgets, resulting in an inaccurate picture of the health center's financial position.
- C. The method of payment was not documented on the receipt slips or receipt ledger.

Recommendation:

The Health Center Board of Trustees:

- A. Not authorize expenditures in excess of budgeted expenditures.
- B. Prepare budget documents that contain complete information regarding beginning available resources, revenues, expenditures, and ending cash balances.
- C. Ensure mode of payment is indicated on the receipt or in the receipt ledger. Furthermore, the composition of receipts should be reconciled to the composition of deposits.

Status:

- A. Implemented.
- B. Partially implemented. The Health Center discontinued the Car Seat Program in 1997 and has included the Equipment Loan Program on the budgets for the two years ended December 31, 2000. However, the Health Center did not include beginning available cash and ending budgeted cash balances for those two years. Although not repeated in the current MAR, our recommendation remains as stated above.
- C. Implemented.

10. Ex Officio Recorder of Deeds Accounting Procedures

Monies were not deposited intact daily or when cash on hand exceeded \$100.

Recommendation:

The Ex Officio Recorder of Deeds deposit all receipts intact daily or when accumulated receipts exceed \$100.

Status:

Implemented.

STATISTICAL SECTION

History, Organization, and  
Statistical Information

SCOTLAND COUNTY, MISSOURI  
HISTORY, ORGANIZATION,  
AND STATISTICAL INFORMATION

Organized in 1841, the county of Scotland was named after Scotland, the European nation. Scotland County is a county-organized, third-class county and is part of the First Judicial Circuit. The county seat is Memphis.

Scotland County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining county roads and bridges, and performing miscellaneous duties not handled by other county officials.

Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records of importance to the county's citizens.

Counties typically spend a large portion of their receipts to support general county operations and to build and maintain roads and bridges. The following chart shows from where Scotland County received its money in 2000 and 1999 to support the county General Revenue and Special Road and Bridge Funds:

SOURCE	2000		1999	
	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
Property taxes	\$ 471,677	28	468,849	30
Sales taxes	402,752	24	366,582	23
Federal and state aid	604,403	36	546,624	34
Fees, interest, and other	187,151	12	199,616	13
Total	\$ 1,665,983	100	1,581,671	100

The following chart shows how Scotland County spent monies in 2000 and 1999 from the General Revenue and Special Road and Bridge Funds:

USE	2000		1999	
	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
General county government	\$ 405,269	22	321,788	23
Public safety	302,222	16	304,988	21
Highways and roads	1,169,041	62	806,629	56
Total	\$ 1,876,532	100	1,433,405	100

The county maintains approximately 200 county bridges and 524 miles of county roads.

The county's population was 5,499 in 1970 and 4,822 in 1990. The following chart shows the county's change in assessed valuation since 1970:

	Year Ended December 31,				
	2000	1999	1985*	1980**	1970**
	(in millions)				
Real estate	\$ 26.2	25.8	23.4	17.1	13.9
Personal property	12.5	11.3	6.1	7.1	3.0
Railroad and utilities	5.7	5.8	4.0	3.6	3.4
Total	\$ 44.4	42.9	33.5	27.8	20.3

\* First year of statewide reassessment.

\*\* Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Scotland County's property tax rates per \$100 of assessed valuations were as follows:

	Year Ended December 31,	
	2000	1999
General Revenue Fund	\$ 0.4908	0.4900
Special Road and Bridge Fund	0.6505	0.6500
Health Center Fund	0.1500	0.1500

In addition to the above property taxes, in November 1999 Scotland County voters, as allowed by Section 231.444 RSMo 2000, passed an additional levy of twenty-five cents per acre of property classified as agricultural or horticultural. The proceeds of this tax are to be used solely for the purpose of purchasing road rock to be placed on county roads.

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county bills and collects property taxes for itself and most other local governments. Taxes collected were distributed as follows:

	Year Ended February 28 (29),	
	2001	2000
State of Missouri	\$ 13,512	12,964
General Revenue Fund	220,898	211,380
Special Road and Bridge Fund	291,769	279,599
Road Rock Fund	64,578	0
Assessment Fund	28,882	27,356
Health Center Fund	66,748	63,973
School districts	1,457,862	1,386,049
Library district	84,287	80,792
Ambulance district	110,829	106,294
Hospital district	216,387	207,034
Nursing Home district	67,185	64,407
Bear Creek Watershed district	2,014	2,087
Cities	25,046	24,883
County Clerk	67	54
County Employees' Retirement Fund	13,546	10,584
Commissions and fees:		
Collector	721	548
General Revenue Fund	45,152	41,782
Total	\$ <u>2,709,483</u>	<u>2,519,786</u>

Percentages of current taxes collected were as follows:

	Year Ended February 28 (29),	
	2001	2000
Real estate	97 %	97 %
Personal property	94	93
Railroad and utilities	100	100

Scotland County also has the following sales taxes; rates are per \$1 of retail sales:

	Rate	Expiration Date	Required Property Tax Reduction
General	\$ .0050	None	None
Capital Improvements	.0050	2001	None
Law Enforcement	.0025	None	None

The elected officials and their compensation paid for the year ended December 31 (except as

noted) are indicated below.

Officeholder	2001	2000	1999
County-Paid Officials:			
Mike Stephenson, Presiding Commissioner	\$	15,358	14,969
Roger Riebel, Associate Commissioner		13,358	12,969
Dean Childress, Associate Commissioner		13,358	12,969
Betty Lodewegen, County Clerk		22,538	21,881
Susan Henry, Prosecuting Attorney		25,680	24,932
Mark Drummond, Sheriff		21,483	20,858
LaMayra Brown, County Treasurer		14,977	14,541
Virginia Brackett, County Coroner		1,570	1,524
Mary Morgan, Public Administrator*		5,825	4,480
Kathy Becraft, County Collector**, year ended February 28 (29)	27,854	26,890	
James Ward, County Assessor***, year ended August 31,		25,206	24,497

\* Includes fees received from probate cases.

\*\* Includes \$721 and \$548, respectively, of commissions earned for collecting city property taxes.

\*\*\* Includes \$900 annual compensation received from the state.

State-Paid Officials:

Anita Watkins, Circuit Clerk and Ex Officio Recorder of Deeds		46,127	44,292
Karl DeMarce, Associate Circuit Judge		97,382	87,235

A breakdown of employees (excluding the elected officials) by office at December 31, 2000, is as follows:

Office	Number of Employees Paid by	
	County	State
Circuit Clerk and Ex Officio Recorder of Deeds	0	1
County Clerk	1	0
Prosecuting Attorney	1	0
Sheriff	10	0
County Collector	1	0
County Assessor	2	0
Associate/Probate Division*	0	2
Road and Bridge	19	0
Health Center	9	0
Total	<u>43</u>	<u>3</u>

\* Includes one part-time employee

In addition, the county pays a proportionate share of the salaries of other circuit court-appointed employees. Scotland County's share of the First Judicial Circuit's expenses is 29.04 percent.